

## **LOTTERY AND GAMING TAX CREDIT**

The lottery and gaming credit provides direct property tax relief to homeowners as a credit on their property tax bills. The credit paid approximately 2.4% of the average homeowner's gross property tax bill in December 2011.

### **Background**

In April 1987, a state constitutional amendment was approved that authorized the Legislature to create a state-operated lottery whose net proceeds were to be used for property tax relief. The law creating the lottery was enacted in November 1987, and the first sales occurred in September 1988.

Net lottery proceeds were initially used to fund a Farmland Tax Relief Credit, to partially fund school equalization aids, and to fund the state assumption of district attorney salaries. In May 1991, a Dane County Circuit Court decision held that supplementing school aids was not property tax relief. In August 1991, the lottery tax credit was created to distribute most of the lottery's net proceeds to property taxpayers.

For the 1991/92 to 1995/96 property tax years, the lottery credit was paid on a property owner's "primary residence" (where the owner lives most of the time). The credit equaled the school property tax on a certain amount of the value of the residence. This value varied from year-to-year, depending on available funds. A group of non-resident property owners challenged the legality of this credit. In October 1996, a Dane County Circuit Court decision held that the credit violated the state's uniformity in taxation clause and prohibited a distribution for the 1996/97 property tax year.

For the 1997/98 and 1998/99 property tax years, the lottery credit was distributed to all taxable parcels. The credit equaled the school property tax levy on a certain amount of the value of the property.

In April 1999, a state constitutional amendment was approved which exempted the distribution of net lottery funds from the uniformity in taxation clause, thereby allowing credits to be paid only to resident homeowners. Beginning with the 1999/00 property tax year, the Legislature amended the law so that the credit would once again be paid only on primary residences.

### **Payment**

The state lottery is operated through a segregated fund. After deducting operating expenditures and about \$15 million paid through the Farmland Tax Relief Credit (through the 2009/10 tax year) or the school levies credit (for the 2010/11 tax year and beyond), the remaining proceeds are available for the lottery and gaming credit. The Department of Administration, with the concurrence of the Legislature's Joint Committee on Finance, annually determines the amount available for distribution and notifies the Department of Revenue (DOR) of this amount by November 1.

DOR determines the estimated fair market value that will distribute the available funds. This "credit value", equal to \$9,200 for 2012/13, is set after taking into consideration the estimated number of

claims that will be paid and school property tax rates (for K-8, Union High, and K-12 school districts). If the fair market value of a qualifying owner's home is more than the "credit value", a full credit is paid. If the fair market value is less than the "credit value", the credit is paid on the actual value.

The lottery and gaming credit is shown on tax bills as a reduction of property taxes due. If a taxpayer pays their taxes in two or more installments, the credit is applied to the first installment. The credit is paid by the state to counties or municipalities on the fourth Monday in March. The county or municipality that receives the payment treats it in the same way that property tax payments from taxpayers are treated.

For the owner of a principal residence that is a mobile home subject to a municipal monthly parking fee (a property tax equivalent) instead of personal property taxes, the credit is applied proportionately to each month's fee. The credit for such mobile homes is also paid by the state to municipalities which impose the parking fee on the fourth Monday in March. After deducting 10% for administrative costs, the municipality shares the remainder with the school district where the mobile home park is located in the same manner that property tax payments from taxpayers would be treated.

In 2011/12, the lottery and gaming credit reduced the property taxes owed by approximately 1,467,000 homeowners by an average of \$90, and reduced parking fees owed by approximately 31,000 mobile home owners by an average of \$79.

Lottery and gaming credit payments since the credit was first established are summarized in the table below.

Property Tax Year	Credit Value (\$)	Payments Made To:		Average Credit (\$)	Total Credits (\$ millions)
		Homeowners	All Taxpayers		
1991/92	\$8,200	X		\$142	\$173.4
1992/93	9,150	X		167	203.9
1993/94	5,900	X		105	128.7
1994/95	6,700	X		110	136.3
1995/96	8,200	X		125	155.9
1996/97	None	None	None	None	None
1997/98	6,800		X	77	205.8
1998/99	4,600		X	52	142.7
1999/00	15,500	X		165	216.3
2000/01	6,400	X		67	90.6
2001/02	7,600	X		77	105.0
2002/03	7,800	X		76	106.2
2003/04	8,700	X		83	118.2
2004/05	9,600	X		92	131.9
2005/06	9,400	X		82	119.9
2006/07	11,600	X		97	144.7
2007/08	10,100	X		86	129.6
2008/09	9,000	X		78	118.1
2009/10	8,100	X		75	113.2
2010/11	8,700	X		86	131.2
2011/12	9,000	X		90	136.3
2012/13	9,200	X		94	Est. 143.7